

Is there anything real about real wages? A history of the official British cost of living index,
1914-62¹

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The problems with the official British cost of living index (COLI) are widely recognised, however analysis has largely focused on the degree to which it diverges from the alternative indexes constructed by Stone and Rowe, Seers and Gazeley.² The history of the index itself and the reasons why it was inaccurate have been largely overlooked. Stapleford's comprehensive account of the COLI in America has demonstrated the benefits to be derived from such a study. He highlights how 'controversy and power have walked hand in hand throughout the history of the CPI'. The potential of indexation to deliver a rational, objective and empirical form of governance, he argues, fuelled its growing importance within the economy. In practice, however, 'judgements with political valences extend all the way through the calculation process'. This tension meant that rather than being apolitical, the history of the index was fraught with political contestation.³ There are strong affinities between the history of the COLI in America and Britain. On each side of the Atlantic, the elevation of the index reflected both the ascendancy of experts within government and the development of a more interventionist state, fuelled by wars and depression. Nevertheless, the evolution of the indexes was shaped by the distinctive history of each nation. This article seeks to examine the particular chronology of the British index by embedding the narrative of

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² Regarding the interwar period, Branson and Heinemann, *Britain in the 1930s*, p.138 and Burnett, *A history of the cost of living*, pp.306-7 conclude that it was far from accurate in this period. Aldcroft, *The interwar economy*, p.363; Bowley, 'Earnings and prices'; Gazeley 'Prices in interwar Britain'; and Stone and Rowe, *The measurement of consumers' expenditure*, p.114 find that the index was not seriously flawed. There is wider agreement that inaccuracies in the COLI during the Second World War are significant. See in particular Dewey, *War and progress*, p.300 and Seers, *The levelling of incomes* p.13.

³ Stapleford, *The cost of living*, pp.3-9.

its evolution within the broader economic, political and social histories of the period. It focuses on three key questions: what were the conditions that gave rise to its initial publication; how did it evolve to become one of the most important measures in the British economy; and why, despite its widely acknowledged inadequacies, was the COLI that was introduced in 1914 not modified until 1947?

The only substantial work on the history of the British index is an article by Wright.⁴ His account focuses on the very earliest stages of the index and the period following the end of the First World War is not discussed in any detail. Wright claims that the interwar years saw a ‘decline in general concern about the cost-of-living index’, evinced by the delay in updating the basis of the index.⁵ This article argues that the failure to modify the index was not indicative of any lack of interest. Throughout this period, as the COLI assumed an immediate relevance to the incomes of millions of ordinary people, the issue of how it was compiled became increasingly contentious. So important was the COLI to the broader economy, that during the Second World War the stabilisation of the index became a keystone in wartime financial policy, necessitating a vast outlay by the state. It is therefore vital that we attend to this later phase of the COLI. This article, by providing a broader history of the index from its introduction in 1914 until 1962, when the index began to be updated on an annual basis, therefore addresses an important historiographical gap. Moreover, an understanding of the COLI helps us to contextualise wider themes in British history such as the relationship between class and consumption, the labour disputes of the interwar years, the development of economic policy during the Second World War and the fate of the postwar Labour government.

⁴ Wright, ‘Real wage resistance’. A short narrative is provided in Ward and Doggett, *Keeping Score*.

⁵ Wright, ‘Real wage resistance’, p.163.

Section I locates the origins of the COLI. Section II will trace how the index evolved, by the advent of the Second World War, into one of the most important measures in the British economy. As it acquired this significance, its statistical underpinnings came under sustained attack in the interwar period. Section III will discuss the critiques made by the state, statisticians, employers and labour and the reasons why the index proved so resistant to modification before 1936. Section IV considers the development of the policy of stabilisation during the Second World War and why this retarded plans to modify the COLI. Section V describes how the mounting cost of subsidies and growing public pressure led to the index being revised in quick succession in 1947, 1952 and 1956. The debates that had raged during the first half of the twentieth century over the legitimacy of the COLI were only finally quelled with the decision in 1962 to annually update the weights of the index.

I

The origins of the COLI lie in the establishment of the Labour Statistical Bureau within the Board of Trade. The economic depression of the 1880s focussed public and political attention on the labour problem: a growing concern about unemployment, low pay and industrial unrest. There was however a dearth of statistical information which might illuminate the dimensions of the issue. Trade unions and the Royal Statistical Society lobbied the government to rectify this situation and in 1886 the Labour Bureau was established. Although resources devoted to it were initially meagre, the transformation of the Bureau into the Labour Department in 1893 provided for the appointment of a team of specialised labour statisticians and the publication of a monthly journal, the *Labour Gazette*, through which their findings could be disseminated. Hubert Llewellyn Smith was appointed as the first

Commissioner for Labour and was in many ways typical of the experts that were recruited by the Board in this period. Often deeply involved with social reform, this group of experts believed that the collection and dissemination of labour statistics would provide a rational basis for social analysis and policy reform. However, their work was hampered by the financial constraints imposed on the department by the Treasury and the data collected was often patchy and tardy.⁶ The collection of cost of living statistics is a case in point.

The tariff reform debate at the turn of the twentieth century created a need for comparative statistics on British trade and industry.⁷ In 1903, the Prime Minister, Arthur Balfour, asked the Board of Trade to furnish a range of information relevant to the debate, including the levels and rates of growth in wages in Britain and competitor nations and comparative data on changes in the cost of living. The Board, however, possessed very little information in these areas and confessed ‘we are at once embarrassed by the difficulty both of obtaining and of dealing with the required data.’⁸ The need to collect this information had been formerly recognised when the Labour Bureau was established, yet little progress had been made thus far.⁹ Partly this was because of financial constraints. Resources were concentrated on aspects of their research that appeared to have a more immediate pertinence, such as industrial unrest, unemployment and hours and earnings.¹⁰ These priorities shifted in the first decade of the twentieth century. In addition to tariff reform, falling prices in the period preceding 1904 meant that little attention was focussed on the concept of real wages and the cost of living. From 1905, prices began to creep up, rising more rapidly after 1909. In certain industries, such as the railways, this was not matched by any commensurate increase in pay and the

⁶ Davidson, *Whitehall*, pp.34-69, 79-98, 114-120.

⁷ See Trentmann, *Free trade nation*. Agar, *The government machine*, pp.97-8.

⁸ Consumption of Food (P.P. 1903, LXVII) p.259.

⁹ Arrangements made by the Board of Trade (P.P. 1886, LXXI).

¹⁰ Davidson, *Whitehall*, p.132.

resultant fall in real wages contributed to the wave of industrial militancy that swept through Britain in the immediate pre-war period.¹¹ This pushed of the cost of living to the forefront of political debate.

The other factor retarding the construction of a COLI, was a lack of expertise within the Board on index numbers. In order to rectify this, it engaged the services of two of the leading wage and price statisticians, Arthur Bowley and George Wood. Both were interested in progressive questions of social reform, however, they were also motivated by the desire to improve the technical quality of official statistics by the application of mathematical techniques to social investigation.¹² In the decade preceding the First World War, a flurry of surveys were conducted to illuminate issues surrounding the cost of living. In 1904, a household expenditure survey, involving nearly 2000 urban working class families, was conducted.¹³ This was followed by enquiries into prices and rents in 1905 and 1912 and a series of international studies conducted between 1908-12.¹⁴ Collectively these surveys provided the statistical basis necessary to compile a COLI. In July 1914, the Board of Trade began to publish a monthly index in the *Labour Gazette* to track rising food prices. In July 1915, the scope of the index was expanded to cover a limited range of non-food items commonly purchased. In this form, the official COLI prevailed unaltered until 1947.¹⁵

[Table 1]

[Figure 1]

¹¹ Wright, 'Real wage resistance', pp. 156-8.

¹² Davidson, *Whitehall*, pp.107, 121-4.

¹³ Consumption and the Cost of Food (P.P. 1905, LXXXIV).

¹⁴ Cost of Living (P.P. 1908, CVII); Cost of Living (P.P. 1912-3, LXVI); German Towns (P.P. 1908, CVIII); French Towns (P.P. 1909, XCI); Belgian Towns (P.P. 1910, XCV); American Towns (P.P. 1911, LXXXVIII)

¹⁵ TNA, Proposed Enquiry into Working-Class Expenditure, CAB/24/259/11.

The emergence of the COLI was part of a broader process in which the state took responsibility for the collection and publication of a variety of economic statistics. To achieve this, a group of progressive experts were recruited, motivated both by a desire to address social problems and to improve the quality of official statistics. The initial impetus for the formation of the Labour Bureau and the direction in which their efforts were focussed were determined to a large extent by contemporary social issues and popular political debate. After the turn of the century, the tariff reform debate and labour agitation around the issue of rising prices, made investigations into the cost of living a priority. Although some of the leading statisticians were recruited to the project, from a technical point of view the composition of the COLI was far from perfect. The index was designed to show ‘the average increase in the cost of maintaining unchanged the pre-war standard of living of working class families’.¹⁶ The weights assigned to each group were therefore intended to reflect the importance of the items within a pre-1914 working class budget. These were derived from a number of different sources. The food component was drawn from the budgets collected by the Board of Trade in 1904. The sample was far from representative. Participants were recruited by workmen’s organisations, co-operative societies and other individuals who were asked to obtain information from ‘fellow-workmen’. Families headed by skilled manual workers were over-represented and the non-working poor and rural households were excluded from the sample.¹⁷ Data about rents was derived from the Board of Trade’s 1912 survey. There was, however, no comparable statistical data for the other types of items in the index and the weights for these groups were estimated from a range of other sources of dubious quality.¹⁸ The index was therefore, at best, a rough estimation of working class spending patterns in 1914.

¹⁶ ‘Cost of living index figure’ *Ministry of Labour Gazette*, July 1923. p.236.

¹⁷ Gazeley and Newell, ‘Poverty in Edwardian Britain’.

¹⁸ Gazeley, ‘Prices in interwar Britain’, p.196-7.

The composition of the index also reflected certain assumptions about class and consumption: it imagined the working class as a homogenous group with distinct patterns of spending; the exclusion of alcohol from the index and the small weighting accorded to tobacco passed a moral judgement on what constituted legitimate expenditure for this group; and in fixing the index to a pre-war standard of living it inferred little expectation that this standard would improve. As will be discussed, the failure of the index to respond to changing patterns of consumption fuelled complaints as the index acquired a real pertinence to the incomes of millions of workers.

II

In the years following the advent of its publication, the COLI rapidly acquired applications beyond the original intentions of its designers. The first and most important of these was the development of formal and informal mechanisms that linked wage levels to movements in the index. This association developed in the conditions engendered by the First World War. The advent of war was accompanied by a rapid rise in prices. In the first 8 days of August 1914, food prices increased by nearly 15%.¹⁹ Although this rate soon subsided, prices steadily increased throughout the war, with inflation accelerating in 1916-17.²⁰ Workers pressed for wage increases to meet the rising cost of living. The degree to which these requests were met varied greatly between industries. Whilst miners' wages lagged only slightly behind price rises, those in the building, printing and textile industries saw their real wages fall considerably.²¹ By the beginning of 1917, most wages had failed to keep pace with inflation

¹⁹ *Labour Gazette*, September 1914, p.323.

²⁰ TNA, Rise in Cost of Living, MAF 60/104.

²¹ *Ibid.*

and worker agitation intensified.²² The Commission of Enquiry into Industrial Unrest was unequivocal in its assertion that the widening gap between wages and prices was the principal cause of the wave of industrial unrest that erupted in 1917.²³ Given the centrality of industrial production to the war effort, it was imperative that swift action was taken to alleviate workers' grievances. The government's response was to use the powers bestowed by the 1915 Munitions Act and periodically increase wages in line with the index.²⁴ The state also intervened in setting wage levels in other industries not covered by the act. In 1917, the Minister of Labour wrote to the trade boards, urging them to revise minimum rates in line with the COLI.²⁵ During the war, therefore, important precedents were set that linked wage levels to the index.

This was formalised in the immediate postwar years by the advent of sliding scale agreements, which automatically adjusted wages if the COLI rose or fell by a stated number of points.²⁶ The first such agreement (applying to wool and worsted workers) was reported in 1919 and they rapidly spread to other sectors of the economy, including the railways, civil service, police and other public sector employees. In July 1922, the Ministry of Labour estimated that some 3 million workers' wages operated according to sliding scales.²⁷ From this point onwards, as the COLI fell and wages were correspondingly lowered, the practice was abandoned in certain industries. In July 1925, 2.5 million were covered by sliding scales; in 1933 1.25 million were covered, although many of these agreements had fallen into

²² Gregory, *The last great war*, p. 193.

²³ TNA, Commission of Enquiry into Industrial Unrest, MAF 60/104, p.5.

²⁴ Wright 'Real wage resistance' p.159.

²⁵ Sells, *The British trade board system*, p.29.

²⁶ Sells, *British wages boards* pp.173-7. Report of the Ministry of Labour (P.P. XIV, 1924-5) p.323.

²⁷ 'Relation of rates of wages to cost of living', Ministry of Labour Gazette, July 1922, pp.286-287.

abeyance and just 0.75-1 million were in schemes that remained operational.²⁸ Despite the decline of this formal mechanism, during the interwar period wage levels continued to broadly track the COLI and, when it began to rise from 1934, unions again pressed for comparative wage increases.²⁹ By the advent of the Second World War, the expectation that wages should rise in line with the COLI was firmly established.

In addition to wages, the COLI assumed a number of other functions during the interwar period. As prices continued to rise following the end of the First World War, schemes were introduced to vary a proportion of civil service and armed forces officers' pensions according to the COLI.³⁰ The index was also central to deliberations in setting unemployment assistance. In 1931, for example, the majority report of the Royal Commission on Unemployment Insurance used the falling COLI to justify their recommendations to cut levels of assistance.³¹ Its rise from the mid 1930s prompted calls for a corresponding increase in assistance from the TUC and Labour MPs, and even the suggestion that some form of sliding scales be applied to benefit levels. Whilst the Minister of Labour acknowledged that the rise in the cost of living might necessitate more generous provision, the suggestion of a sliding scale was rejected as impractical.³² The COLI also influenced a whole host of other decisions made by government. When debating the question of the return to the gold standard in 1924, the impact of this decision on prices, the index and therefore wages weighed strongly on the deliberations of the Chamberlain-Bradbury committee.³³ When, in 1929, the

²⁸ Ministry of Labour Gazette, July 1922 pp.286-7, July 1925 pp.228-9, July 1933 pp.238-9.

²⁹ Sells, *British wages boards*, pp.271-273, 124; John Dunlop, 'The movement of real and money wage rates', p.424.

³⁰ Pay and pensions (P.P. 1953-4, XXVI).

³¹ R.C. on Unemployment Insurance, (P.P. 1930-1, XVII) pp.919, 943. Middleton, *Towards the managed economy*, pp.109-11.

³² COLI and winter conditions, AST 7/295.

³³ Moggridge, *British monetary policy*, pp.38-97.

removal of duty from tea and other food stuffs was debated by parliament, discussion focussed on the impact this would have on the index.³⁴ It was also central to the initial phases of preparation for a future war in the late 1920s. A 1929 Treasury memorandum on 'The course of prices in a major war' highlighted the dangers posed by wartime inflation. One way in which this could be combated, it posited, was to control the prices of items which made up the COLI.³⁵ The index had become so central to the national economy that it was used as an indicator of the success of the government in managing the economy. A falling index prompted boasts from successive governments whilst sharp rises were highlighted by the opposition.³⁶ In the course of the interwar years, the COLI had become one of the most important measures in the British economy. As it acquired this new significance, its statistical basis was challenged by various groups.

III

Such criticisms were fuelled by the dramatic transformation of working class consumption patterns since the introduction of the index in 1914. During the war, the shortage of goods, the implementation of rationing and the introduction of rent control meant that patterns of spending rapidly diverged from those proscribed by the COLI. The dramatic social changes of the interwar years, such as falling family sizes, the availability of new commodities, the growth of leisure, the electrification of homes and the development of council housing and working class owner occupation further exasperated the problems of a COLI which was fixed to prewar patterns of expenditure. Moreover, relative prices were also changing rapidly.

³⁴ *Hansard (Commons)*, vol.227 cc.1085-137, 25 April 1929.

³⁵ TNA, *Course of Prices in a Major War*, CAB 57/14; Hammond, *Food*, pp. 8, 97. Price control was highly controversial throughout the interwar period. See Rollings, 'Whitehall and the control of prices'.

³⁶ See *Hansard (Commons)*, vol.326 cc.3129-244, 28 July 1937; vol.475 cc.1019-170, 16 May 1950; 'The cost of living' in *The Times* 6 December 1937, p.13. The Labour Party attempted to mobilise women around the issue of the cost of living. Hilton, *Consumerism in twentieth-century Britain*, pp.108-117.

[Table 2]

Movements in the index were largely determined by the price of food, which was accorded a weight of 60 percent. Whilst it fell sharply between 1920 and 1934, the prices of fuel and other items declined more gradually. Rent, which was controlled during this period, and rates steadily rose. These shifts in relative prices, combined with changing patterns of consumption, meant that the index became increasingly inaccurate across the interwar years. Whilst this was recognised by government, business and labour, the nature of criticisms depended upon whether the index was rising or falling and the benefits or disadvantages each group derived from these movements.

The index rose steadily from 1914 to 1920, prompting the state to challenge the validity of the COLI. In 1917, the Select Committee on National Expenditure scrutinised the escalating cost of financing the war. They identified rising wages as a strong contributing factor and asserted that increases in the cost of living were one of the principal causes of wage agitation. The committee were, however, suspicious of the accuracy of the index and felt that its failure to take into account changing patterns of spending brought about by wartime shortages meant that the index was over estimating inflation and therefore wage claims. They recommended that an urgent enquiry be conducted to look into the issue.³⁷ This took place in 1918 and Bowley, who had been instrumental in creating the index, was appointed to sit on the Sumner Committee. Whilst the state was motivated by the desire to reduce the costs of financing the war, as discussed above, Bowley had for some time been petitioning to improve the quality and reliability of official statistics. These motivations, for now, coincided. On the basis of working class budgets collected that year, the Sumner Committee concluded that whilst the

³⁷ S.C. on National Expenditure, (P.P. 1918, III) pp.606-7.

COLI remained a satisfactory measure of price change, the use of the index to measure the actual cost of living 'cannot be defended', because of its failure to take account of changing patterns of consumption. Using the newly collected budgets, the enquiry suggested that the index had over estimated the increase in the cost of living that had occurred during the war.³⁸

Groups of employers were also critical of the index and, like the Sumner Committee, felt that it exaggerated the cost of living. In 1923 the Chambers of Commerce declared that this trend was 'imposing a very heavy burden on industry', 'militating against our trade' and causing spiralling inflation.³⁹ One of the most vocal opponents in this period was Selfridges who on several occasions took out full page adverts in *The Times* to dispute the index. Describing its method of compilation as 'unscientific and unreal', Selfridges sought to present the 'facts' by demonstrating they were selling products at considerably less than the prices cited in the index. The official figures, they concluded, were 'not merely inflated, erroneous, and untrustworthy, but ... disastrous to the Nation'.⁴⁰ Given the association that had been formed between wages and the COLI, groups of employers stood to gain financially from the suggestion that it was over estimating inflation as it would provide a rationale to depress wage levels.

Whilst the government and business leaders argued that the COLI was overestimating inflation, labour had a different critique. Between 1920 and 1934, the index fell consistently and this was used as a justification for the removal of war bonuses and reduction of wages. In response, the Parliamentary Committee of the TUC, the Labour Party and the Cooperative

³⁸ Cost of Living Committee, (P.P. 1918, VII) p.844.

³⁹ 'Cost of living and wages', in *The Times*, 18 January 1923, p.12.

⁴⁰ *The Times*, 19 September 1921, p.5, 27 June 1924; p.12; 21 April 1931, p.12.

Union formed the Joint Committee on the Cost of Living in 1921. Based upon its own collection of family budgets, the committee made three substantive critiques of the index. Firstly, the operation of the Rent Restriction Acts meant that rents and rates were accorded too high a weight, thereby artificially depressing the index. Clothing and other items were underweighted and price rises more broadly had been underestimated. They argued that collectively these inaccuracies had resulted in the COLI considerably understating real increases in the cost of living and they estimated this discrepancy to be in the region of 28 points. Not only did this mean that workers' wages had not increased in line with prices during the war and immediate post-war period, but recent attempts to reduce pay represented a 'serious injustice' which will 'depress wages below pre-war standards'.⁴¹ The implementation of these reductions meant that the COLI became a focus for industrial disputes in the early 1920s. In 1923, dockers went out in strike over plans to reduce their wages for a second time in response to the purported fall in the cost of living. As the dispute escalated, it focussed on the method by which the index figure was compiled. A deputation visited the Ministry of Labour's Statistical Department to hear more about the construction of the index, however, this did not resolve their grievances and the dockers maintained that both the standard of living which the index purported to measure and the method for compiling prices must be reviewed.⁴² During this period, dockers and other groups of workers were dissatisfied not just with the accuracy of the index, but with the broader concept of tying their wage levels to a 1914 standard of living. In the latter stages of the 1921 miner's dispute, for example, workers demanded an improvement upon the pre-war standard of living.⁴³

⁴¹ Joint Committee, *Final report*, pp.38-9.

⁴² 'Dock strike' in *Manchester Guardian*, 4 July 1923, p.9; 'Cost of living figures' in *The Times*, 23 August 1923, p.10.

⁴³ 'Cost of living' in *The Times*, 19 May 1921, p.7.

This failure of the index to take account of the enormous transformations that occurred in everyday life over the interwar period was a key issue in one of the most prolonged cost of living disputes. In 1920, an agreement was made to link part of civil service pay to the COLI. However, as the index began to decline, the Civil Service Association mounted a sustained campaign. They had two principal criticisms. Firstly they argued that the index was designed as a measure of working class consumption and it was therefore inappropriate to use it to determine the salaries of lower middle class civil servants. They therefore petitioned for the construction of a separate middle class index. Moreover, they maintained that dramatic social changes had rendered the index a poor guide to the spending patterns of the contemporary working classes.⁴⁴ By the mid-1930s, these shortcomings were broadly acknowledged. An investigation by the *Manchester Guardian* in 1934 demonstrated that the index weights were a poor representation of the budgets of even the lowest income groups in society.⁴⁵ The wider application of the COLI meant that the methodological issues inherent in the index now had a very real impact on the incomes of millions of workers, particularly in a time of such rapid social, technological and economic change. As expectations of consumption increased, and the COLI was applied to the wages of workers from across the social spectrum, it is no wonder that the basic standard of living proscribed by the 1914 index attracted such ire.

The methodological failings of the index also mobilised experts to publically critique the COLI. Bowley was highly critical of the decision not to modify the index after the Sumner Committee had comprehensively identified its inadequacies. In an address to the Royal Statistical Society in 1919, he questioned why the Committee's conclusions had been ignored. Given the dramatic changes that occurred during the war in the availability of

⁴⁴ TNA, 'The Civil Service Joint Committee' and 'Memorandum on the COLI' Lab 17/7.

⁴⁵ 'Lancashire family budgets' in *Manchester Guardian*, 9 January 1934, p.5.

commodities, the index number had become ‘unreal’ and ‘absurd’. Its continued publication, he maintained, has caused ‘enormous and expensive mischief’. Given its relevance to the determination of wages, he argued, ‘much more care ought to be taken as to method and much better material ought to be collected, than has hitherto been the practice.’⁴⁶ Over the next decade, Bowley continued to petition for a revision of the index and explored various mathematical models which might improve the validity of this vital economic measure.⁴⁷ Other progressive experts chimed in. In 1925, William Beveridge, speaking as commissioner for The Royal Commission on the Coal Industry, argued that the index was thoroughly misleading. Given the centrality of the index to wage negotiations, ‘the Ministry of Labour should be given whatever means necessary... to bring the index up to date.’⁴⁸ The Political and Economic Planning group declared the index to be in ‘an advanced stage of senility’ whilst in *The Economist* John Hilton, the former Director of Statistics at the Ministry of Labour, argued that it ‘wheezes, and creaks at the joints, and keeps on burbling about 1914. It should be pensioned off and a spritely youngster put in its place.’⁴⁹ When he was at the Ministry of Labour, Hilton had attempted to revise the index in 1926 as he felt that rising levels of rents had made a significant disturbance to the distribution of working class consumption. Despite reaching an advance stage of planning, no revision was made.⁵⁰ The formation of the Economic Advisory Committee in 1930 enabled these criticisms to coalesce. Both Bowley and Hilton were appointed to this committee and in this more formal role, their criticisms were aired to the highest echelons of government. In 1931 they submitted a report on the COLI index to cabinet. Their conclusions were unequivocal. Given the importance of the index and the enormous changes that had occurred since 1904 in ways of living, they felt

⁴⁶ Bowley, ‘The measurement of changes’, p.361.

⁴⁷ See bibliography in Allen and George, ‘Obituary’.

⁴⁸ R.C. on the Coal Industry, (P.P. 1926, XIV) p.169.

⁴⁹ *Planning*, 17th July 1934. *Economist*, 23rd December 1933, p.1235.

⁵⁰ Ward and Doggett, *Keeping Score*, p.139.

that the index had ‘more than a touch of unreality’ and recommended that a new enquiry be carried out as a matter of urgency in order to maintain public confidence in the index. This proposal was supported by the Minister of Labour and the TUC, but the National Confederation of Employers’ Organisations objected, citing the current economic instability.⁵¹ The cabinet therefore decided to defer the question, fearing it might disturb industrial relations.⁵²

Although motivated by different reasons, throughout the interwar period there was consensus amongst employers, labour, experts and the government itself that the COLI was outdated and needed revision. Why then was it not revised? The movement of relative prices during this period can provide some explanation. Prices of all items fell between 1920-34, however, the price of food declined considerably more than the price of non-food items. The 1914 COLI was likely, by the interwar period, to have over weighted food. Whilst it accounted for 60% of the 1914 index, the 1937/8 Household Expenditure Survey reported that just 38.8% of working class expenditure was spent on food.⁵³ The evidence available at the time, therefore, suggested that if a new index was introduced that included a greater range and placed a larger weight on non-food items, the COLI would not have declined as sharply as it had during the 1920s. Employers stood to gain from a falling index as it helped justify the depression of wages. The government were also keen to reduce wage levels as part of their broader economic policy and the return to the gold standard. More directly, given that the wages and pensions of many state employees and benefit levels were linked formally or informally to the index, a falling index meant considerable savings for government. In 1924, the Chancellor

⁵¹ TNA, Economic Advisory Council, CAB 58/147; Cabinet Conclusions, CAB 23/66/20, 25 March 1931.

⁵² TNA, Minutes of Cabinet Meeting, CAB 23/66/15, 18 February 1931 and CAB 23/66/22, 31 March 1931.

⁵³ Gazeley, ‘Prices in interwar Britain’ p.202, p.198.

estimated that a reduction of 5 points in the index would result in a net saving of £1,250,000 a year to the civil service alone.⁵⁴ The COLI began to rise from 1934, thereby removing the incentive of financial savings to be made from a falling index. In April 1936, the government announced that a new survey was now being planned and would form the basis of a revised COLI. Again the services of outside experts, including Bowley and David Caradog Jones, who had recently conducted the social survey of Merseyside, were engaged to design and oversee the conduct of a new expenditure survey. This was conducted in 1937 and 1938, but before the results of this survey could be analysed, war broke out and the revisions to the index were put on hold for the duration.⁵⁵

IV

As in the First World War, the outbreak of war in 1939 was immediately followed by rapid increases in prices. During September, the index rose by 6 points; pressure soon began to build for pay increases. In October, miners petitioned for a wage rise to reflect the cost of living. Mine owners were amenable to this increase on the condition that the government allow them to increase the price of coal. This was, however, a serious problem for the government. An increase in coal prices would push up the COLI and encourage further wage demands from other industries. Yet given the strength of the mining unions and the centrality of coal production to the war economy, the government could not risk a dispute. It therefore acceded to a small increase in wages but stated explicitly that this was not awarded on account of rising prices, so as not to fuel demands in other industries. Nevertheless, further price rises in November prompted a broader round of wage demands.⁵⁶ This was of great

⁵⁴ *Hansard (Commons)*, vol.173 cc.220-1, 6 May 1924.

⁵⁵ Gazeley and Newell, 'The end of destitution'.

⁵⁶ Gowing and Hancock, *British war economy*, p.164-167

concern to the government who feared the development of a vicious inflationary cycle. The attempt to prevent such a cycle was to dominate the planning of the war economy.⁵⁷

Because officials viewed inflation as a problem arising from the indexation of wages to the COLI, debate in the autumn of 1939 was centred on how to sever this link.⁵⁸ Lord Stamp, chairman of the Economic Co-ordination Committee, advocated the establishment of a central wage authority to set rates of remuneration for all workers.⁵⁹ Ernest Brown, the Minister of Labour, spoke strongly against such a proposal, fearing that this might ignite serious industrial discontent, a risk that could not be taken given the importance of industrial production to the war effort. He explained that whilst trade union leaders were aware of the dangers of an inflationary cycle, they had lobbied for the direct control of prices and not wages. Besides, their actions were limited by the attitude of the rank and file, in whose minds the association between the COLI and pay levels was now 'firmly fixed'.⁶⁰ The Cabinet agreed with the Minister and decided that the Chancellor should address the National Joint Advisory Committee to ask for voluntary wage restraint.⁶¹

The response from the trade unions was not encouraging. Walter Citrine argued that it was impossible to demand such a sacrifice until further attention was paid to the questions of profits, taxation and the redistribution of purchasing power.⁶² Ernest Bevin was less restrained. He would not ask 'the workmen to sacrifice a penny so long as the employing

⁵⁷ Rollings, *Employment policy*, p.23. For the interwar background see Rollings, 'Whitehall and the control of prices'.

⁵⁸ Booth, *British economic policy*, p.63.

⁵⁹ TNA, Control of Prices, CAB 89/22, 26 October 1939.

⁶⁰ TNA, Memorandum by the Minister of Labour, CAB 89/22, 8 November, 1939.

⁶¹ TNA, Ministerial Committee on Economic Policy, CAB 89/22, 16 November 1939.

⁶² TNA, Wages in relation to the Cost of Living, CAB 67/3/39.

class was so clearly dominating... on their own terms'. The war so far, he argued, had been a 'wicked capitalist rump' and 'as our people sicken of this business they will revolt against the depression of their standards'. As a final flourish, he submitted a claim for a further wage rise.⁶³ This was a serious obstacle to the government's attempts to control inflation.

Chamberlain conceded that 'there is no doubt that we must expect persistent opposition from Bevin to all attempts at separating wages from the cost of living'.⁶⁴ With it proving impossible to decouple wages from the COLI, price control now appeared the only way to limit inflation.

Some measures had already been taken. During the autumn of 1939, the Ministry of Food had been running at a loss in order to limit price rises and create a favourable atmosphere in which negotiations with the unions could take place.⁶⁵ After the collapse of these talks in January 1940, the Economic Co-ordination Committee began to explore the possibility of subsidies more fully. Such a policy, they argued, might be advantageous. If subsidies were concentrated on the limited range of goods in the COLI, then prices of other items would rise due to limited supplies, thereby increasing the revenue raised from duties.⁶⁶ The cabinet decided that this was the best course of action in the short term, and on 31st January the Chancellor formerly announced the policy in the Commons. Nevertheless, he emphasised that this policy of stabilisation was a purely temporary measure; he would not 'undertake an unlimited commitment the end of which cannot be foreseen'.⁶⁷

⁶³ TNA, Interviews with Dukes and Bevin, 13 December 1939 and Bevin to Rowntree, 29 December 1939, CAB 89/22.

⁶⁴ TNA, Chamberlain to Stamp, CAB 89/26, 15 January 1940.

⁶⁵ TNA, Memorandum on Food Price Policy, 1 December 1939 and Ministerial Committee on Economic Policy, 15 December 1939, CAB 89/22.

⁶⁶ TNA, The Rise in Prices, CAB 89/23, 8 January 1940.

⁶⁷ *Hansard (Commons)*, vol.356 cc.1154-9, 31 January 1940.

Subsidies were to gain a more permanent footing after Keynes was invited into the Treasury as an advisor. Since the outbreak of war, he had been lobbying for a more rigorous financial policy to combat inflation.⁶⁸ Now within the ambit of government and, given the failing of the Treasury to limit inflation thus far, his ideas became more influential. Keynes advocated a two pronged attack on wartime inflation. Taxation and forced savings should be deployed to absorb excess purchasing power to control demand inflation, whilst the stabilisation of the price index - and therefore wages - would limit cost inflation.⁶⁹ These measures were embodied by the budget of April 1941. The Chancellor made a firm commitment to hold the COLI at between 125-130% of prewar levels.⁷⁰ This positioned the stabilisation of the COLI at the heart of wartime financial policy as part of a coherent policy to combat inflation.

The conditions of war had again considerably increased the importance the COLI. The rapid price rises it engendered threatened to spark a vicious inflationary cycle because of the association between wages and the index which originated in the First World War. So engrained was this association and so vital was the industrial front to the war effort that efforts to break the link proved futile. The government instead had to rely on price controls to limit inflation. However, the policy of stabilisation provided fresh reasoning as to why the COLI shouldn't be revised. An index that relied heavily on a limited range of foodstuffs was easier to control than a more varied index which reflected modern patterns of consumption. Indeed, a review in 1943 concluded that whilst the index was without doubt obsolete, if a wider range of goods was included, the true extent of wartime inflation would be revealed. It

⁶⁸ Booth, *British economic policy*, p.59-62.

⁶⁹ Howlett, 'The wartime economy', pp.11-13; Sayers, *Financial policy 1939-1945*, pp.58-9, Tomlinson, *Employment Policy*, pp.23-28, Booth, *British economic policy*, pp.62-9.

⁷⁰ *Hansard (Commons)*, vol.370 cc.1320-2, 7 April 1941.

would be impossible to subsidise such a range of items and would therefore ‘completely stultify’ stabilisation.⁷¹ As the cost of subsidies escalated, the policy began to provide a strong impetus to introduce a new index.

V

In the first peacetime budget, the Chancellor reaffirmed the government’s commitment to stabilisation. The policy, Dalton argued, was now more important than it had been in war, a ‘sheet anchor for us in the stormy and unsettled waters of transition’. He attributed the absence of industrial disputes to the ‘quiet confidence of our people that they can rely on a firm basis for the cost of living, and for the purchasing power of the money they receive’. Given the priority given to production by the Attlee government, Dalton committed the government to hold the COLI steady throughout 1946, despite the growing cost of subsidies to the exchequer.⁷² However, the policy of stabilisation and the concentration of subsidies on items entering the index meant that a growing gulf had emerged between the official index, which had remained more or less static since 1941, and the rising prices encountered by consumers in shops. As shown in table 2, the war years also witnessed important shifts in relative prices. Whilst the COLI and food prices were held steady, the cost of fuel and other items rose more rapidly. Items not included in the index rose further still. Alternative calculations by Allen, Seers and Feinstein, based on weights derived from the 1937/8 enquiry, indicate the degree of bias in the official index:

[Table 3]

⁷¹ TNA, ‘The present position’, CAB 139/34.

⁷² *Hansard (Commons)*, vol.414 cc.1879-80, 23 October 1945; vol.421 cc.1803-68, 9 April 1946.

Although Dalton projected stabilisation as a means by which to maintain confidence in the COLI, the contradiction between the stasis of the official figure and the rising prices experienced by consumers meant that the index became increasingly controversial.

The COLI also gained a renewed importance in the immediate postwar period. During the Second World War, sliding scales were adopted in industries including coal, iron, steel and cotton. The number of workers covered rose from 1.5 million in 1939, to 2.5 million in June 1944. Although some of these agreements were abandoned in the postwar period, those covered by scales remained at 2.5 million due to the growth of industries that remained within the scheme, particularly building and construction.⁷³ It is not surprising, therefore, that the composition of the index once again became the focus of public criticism. In an article entitled 'Figures can Lie', The *Daily Mirror* highlighted how anachronistic the index was:

The Edwardian working man, with his billy-cock hat, clay pipe and choker; the Edwardian working-class housewife, badly dressed, badly educated – these people are still supposed to be representative of at least 2,500,000 wage-earners in this country today.

You may earn £500 a year, own a small car, cut quite a social figure in the neighbourhood, but if your wages are controlled by the Cost of Living Index then your needs, tastes, ambitions, hobbies are roughly classed as those of a coal-heaver of 1904.⁷⁴

Due to the limited range of items included, the article argued that the index disguised the true rise in the cost of living. The *Mirror* questioned 'What is the use of telling a man **officially** that it is costing him less to live when he knows perfectly well that it is costing him more?' The index, it concluded, was 'Whitehall flapdoodle'.⁷⁵ In July 1946, the Minister of Labour announced his intention to convene a committee to examine the workings of the COLI. The

⁷³ *Ministry of Labour Gazette*, June 1944 pp.94-6; April 1947 pp.116-7.

⁷⁴ 'Figures can lie' in *Daily Mirror*, 27 July 1946, p.2.

⁷⁵ 'Money talks' in *Daily Mirror*, 22 June 1946, p.2. See also Labour Research Department, *Cost of living index*.

appointment of this committee, he explained, 'is necessary to meet the growing criticism of the existing figure. Unless it can be seen that the matter is receiving consideration, this criticism is likely to grow.'⁷⁶

Concern was also voiced about the policy of stabilisation. Rising world food prices caused the cost of subsidies to escalate. By 1947 they totalled £1million a day.⁷⁷ *The Times* calculated that this equated to three quarters of national debt or a third of the yield of income tax and urged for a reconsideration of stabilisation.⁷⁸

[Table 4]

The increasing burden that subsidies placed upon the exchequer meant that stabilisation became a central issue within a far broader debate about budgetary policy and the mechanisms through which inflation should be contained.⁷⁹ It was a debate in which the economic and statistical experts who had been brought into government during wartime were to play a prominent role. In 1940, the demands of war planning had necessitated the recruitment of a number of specialists from the universities who formed the Central Economic Intelligence Service. In 1941, the service was split to form the Economic Section and the Central Statistical Office. In the postwar period, both groups lobbied for the COLI to be revised.⁸⁰

⁷⁶ TNA, Proposal to Reconstitute the cost-of-living Advisory Committee, AST 7/861, 30 July 1946.

⁷⁷ Cairncross and Watts, *The Economic Section*, p.329.

⁷⁸ 'City notes' in *The Times*, 17 March 1947, p.9.

⁷⁹ Booth, *Economic policy*, Rollings, 'British budgetary policy', Tomlinson, *Democratic socialism*.

⁸⁰ Cairncross and Watts, *The Economic Section*, Ward and Doggett, *Keeping Score*.

The Economic Section was the primary conduit for Keynesian ideology within government. In April 1946, Keynes warned the government that subsidies were ‘in danger of becoming the biggest item in the whole budget and seriously overwhelming efforts towards equilibrium’. He urged that they be removed and the COLI allowed to rise.⁸¹ After Keynes’ death, the issue was pursued by James Meade, the head of the Economic Section. He argued that ‘in present conditions there is much to be said for a shift in emphasis in our anti-inflationary policy away from too great a reliance on such direct controls as price control... and rather more onto a policy designed to restore the essential balance between available supplies and spendable funds.’⁸² Throughout 1946 and 1947, the Economic Section continued to argue for the removal of subsidies and the utilisation of fiscal policy to combat inflation.⁸³ As the economic situation worsened, unlikely allies were found in the Treasury. In February 1947 it was calculated that the cost of stabilisation was likely to increase by £125 million on the previous year. The Treasury therefore urged that the stabilisation policy be modified to steady the level of subsidies rather than the COLI.⁸⁴

However, the nature of the index left little room for manoeuvre. Because it was based on so few items that were by 1947 heavily subsidised, any attempts to reduce subsidies would have a dramatic impact on the index and wage levels. If a new index was introduced, which measured the prices of more items, subsidised items would carry far less weight and the removal of subsidies would have a less dramatic impact. The Economic Section recognised this and in 1946 called for a new index in order to control expenditure on subsidies.⁸⁵ It was calculated that if the index was based on expenditure patterns derived from the 1937/8

⁸¹ Tomlinson, *Democratic socialism*, p.219.

⁸² *Ibid.*, p.218.

⁸³ *Ibid.* pp.221-2.

⁸⁴ Rollings, *British budgetary policy*, p.287.

⁸⁵ Cairncross and Watts, *The Economic Section*, p.241; Rollings, ‘British budgetary policy’, p.288.

survey, the effect on the COLI of removing food subsidies would be reduced from 20.5% to 10.5%.⁸⁶ The Central Statistical Office also entered the debate. Chief statistician, Jack Stafford, argued that the COLI was ‘thoroughly out of date and academically discredited’. It had become ‘an instrument of stabilisation policy rather than a measure of changes in the cost of living’. Revision was therefore essential.⁸⁷

In March 1947, the Minister of Labour announced that a new interim index was to be introduced that summer.⁸⁸ This enabled a greater degree of latitude in stabilisation policy. In the April 1947 budget, Dalton announced that the introduction of the interim index must prompt a review of stabilisation. He warned that there was a risk of subsidies spiralling out of control, beholden to rising world food prices and ‘hitched to a most out of date and generally discredited index of the cost of living’. He announced that a ceiling of £392 million was to be placed on food subsidies and that rather than aiming to hold the index steady, subsidies would now become a ‘stabilising influence upon the index’.⁸⁹

[Table 5]

The interim index was introduced in June 1947. Based on the expenditure patterns of the 1937/8 budget enquiry, the weights reflected the changes in the standard of living that had occurred during the interwar period. There was a significant decline in the weight of the food component, falling from 60% of the index to 34.8% and it encompassed a far wider range of

⁸⁶ TNA, The Cost of Living Index, Cab 139/34.

⁸⁷ TNA, Stafford to Bridges, Cab 139/34.

⁸⁸ *Hansard (Commons)*, vol.435 c.587, 20 March 1947.

⁸⁹ *Hansard (Commons)*, vol.436 cc.43-7, 15 April 1947. This not enforced in practice. See Rollings, ‘British budgetary policy’, pp.288-90.

items such as electricity, entertainment, travel costs, household goods, alcohol, tobacco and a greater diversity of foodstuffs.

The introduction of the interim index did not quell public debate. Announcing the new index, *The Daily Mirror* pointed out that whilst it would be more appropriate than the 1914 index, it assumed that consumption patterns were the same as in 1937.⁹⁰ Over the next few years, this assumption was frequently challenged.⁹¹ *The Times*, for example, gave a detailed critique of the ‘serious failings’ of the interim index, concluding that the authority bestowed on it was ‘dangerous and unjustifiable’.⁹² The issue reached a head in the autumn of 1950. Exasperated by the devaluation of the pound and the onset of rearmament, prices rose steeply in 1950.

There was, therefore, incredulity when in August 1950 the index registered a fall. Cassandra of *The Daily Mirror* crowed:

On the whiskery index by which these things are calculated – it includes such oddities as the price of tin kettles (no longer made) and iron bedsteads (no longer procurable)- life has become easier by a reduction of 1 point...The index is of course hokum. And every housewife knows it is... If the cost of living is going down, then Mt. Everest is at the bottom of a coal mine, moles fly and eagles are dug out of the ground with a spade.⁹³

The index came under sustained criticism in the Commons throughout the autumn of 1950, culminating in the passing of a private members bill calling on the government to urgently conduct the necessary enquiries for an up-to-date retail price index.⁹⁴ It was argued that public confidence in the index had been ‘irretrievably undermined’ and given the central role of the index in the economy it was essential that the Ministry of Labour act swiftly to restore

⁹⁰ ‘At last’ in *Daily Mirror*, 26 March 1947, p.26.

⁹¹ Labour Research Department, *The Cost of Living*; ‘Then and now’ in *Daily Mirror*, 25 September 1947, p.6; ‘Living’ in *Daily Mirror*, 21 March 1951, p.9; ‘Cost of living index’ in *The Times*, 4 January 1950, p.5.

⁹² ‘Measuring The Cost Of Living’ in *The Times*, 30 December 1949, p.5.

⁹³ ‘The one pound note’ in *Daily Mirror*, 3 October 1950, p.6.

⁹⁴ *Hansard (Commons)*, vol.480 cc.9-139, 31 October 1950; vol.480 cc.774-825, 7 November 1950.

confidence by introducing an up-to-date index or risk industrial unrest.⁹⁵ Shortly after the motion was tabled, the Minister of Labour reconvened the Cost of Living Advisory Committee and instructed them to consider whether conditions were stable enough to warrant a new enquiry being held to inform a new index.

The Committee concluded that although conditions were far from stable, it could be many years before spending conditions returned to 'normal'. Aside from the temporary post war abnormalities, they perceived the emergence of longer term changes in spending habits, brought about by changes in the distribution of income and the introduction of social security schemes. It was therefore unlikely that there would be a return to pre-war patterns of spending and given the lack of confidence in the interim index, in 1951 the committee concluded that a new enquiry must be planned.⁹⁶ Such an enquiry would, however, take several years to conduct and analyse. From a statistical point of view this was no great problem. Their investigations demonstrated that using weights derived from the 1937/8 had not resulted in any substantial inaccuracies.⁹⁷ Nevertheless, they recognised that the public felt strongly that an index based on interwar expenditure patterns had no relevance to postwar conditions and if not adjusted soon, they feared, the public would come to disregard the very concept of the COLI.⁹⁸ It was therefore imperative to consider what could be done immediately to restore public confidence whilst awaiting the results of the new survey.⁹⁹ The committee concluded that 'the substitution of a set of weights based on estimates of working-class consumption in 1950, even though approximate in character, might go a considerable

⁹⁵ *Hansard (Commons)*, vol.482 cc.681-776, 8 December 1950.

⁹⁶ Interim report, (P.P. 1950-1, XI).

⁹⁷ TNA, Interim Index of Retail Prices, Lab 17/463, 6 October 1951.

⁹⁸ TNA, Committee paper 1951/5, Lab 17/463.

⁹⁹ TNA, Minutes of seventh meeting, Lab 17/463, 30 October 1951.

way to restoring confidence in the accuracy of the index'.¹⁰⁰ The interim index was therefore adjusted using figures derived from the series of White Papers on National Income and Expenditure and a survey on working class consumption conducted by the Ministry of Food. The modified index was introduced in February 1952. The new enquiry was conducted in 1953/4 and from the results of this survey the new index of retail prices (RPI) was introduced in January 1956.

VI

This article has traced the evolution of the COLI. It emerged as part of a broader shift in which the state amassed increasing amounts of statistical data as it assumed a more active role in managing the economy and society. The demands of war accelerated this development and transformed the COLI from an abstract statistical measure into a index whose movements had massive financial ramifications. The outbreak of both World Wars were accompanied by rapid price rises, but because of the centrality of the industrial front, the effects of inflation had to be mitigated to avoid industrial strife. During the First World War, wages were linked formally and informally to the COLI. So engrained was this association by the advent of the Second World War, that attempts to decouple wages from the COLI proved futile. Instead, the government resorted to subsidising items entering the index and by 1950 this policy of stabilisation was costing more than the NHS.¹⁰¹

The growing economic importance of the COLI had two important ramifications. Firstly, because of the immediate financial pertinence the index had to the incomes of millions of

¹⁰⁰ TNA, Interim Index of Retail Prices, Lab 17/463, 6 October 1951.

¹⁰¹ Tomlinson, *Democratic socialism*, p.253.

workers and the wage bills of both private companies and the state, the method by which the COLI was compiled became the focus of intense popular political debate, particularly in periods when relative prices were changing rapidly. The intensity of the debate was enhanced by the dramatic economic, social and technological transformations Britain underwent in the first half of the twentieth century. These changes rapidly altered both patterns and expectations of consumption, yet until 1947 wages remained linked to the basic standard of living proscribed by the 1914 index. By the 1940s, this appeared simply ridiculous, as the *Daily Mirror* satirically highlighted. Such a widespread recognition of the inadequacies of the COLI was a serious problem given the importance of the index to delicate industrial negotiations. Although the lack of public confidence weighed heavy in official discussions about the revision of the COLI, the tremendous power wielded by the index meant that its modification would have massive implications for the economy. Only when such modifications were believed to be in the national economic interest were they made.

The changing composition of the COLI speaks to wider issues of class and consumption. The 1914 index assumed that there were distinct working class patterns of consumption and throughout its existence it was stressed that it only applied to this social class. When the index was applied to other groups of workers, such as civil servants, there were calls for the construction of a separate middle class index. During the postwar period, there were renewed requests for the construction of a separate middle class index.¹⁰² However, the Cost of Living Advisory Committee felt that the publication of separate indexes would be “embarrassing” and lead to “serious political and industrial difficulties”.¹⁰³ In the aftermath of the egalitarian

¹⁰² ‘Minutes of the 6th meeting’, 24 May 1951, TNA Lab 17/463.

¹⁰³ ‘Minutes of the 3rd meeting’ 15 March 1951 and ‘Committee Paper 1951/3’, 23 February 1951, TNA Lab 17/463

rhetoric of war, such a flagrant acknowledgement of class difference was uncomfortable. Instead, they sought to construct an index which would reflect the expenditure patterns of all wage earners and moderate salary earners, around 90% of British households. Only those households where the head had a weekly income exceeding £20 and those for which 75% of their income was derived from a state pension or national assistance were excluded.¹⁰⁴ With the exception of the wealthiest and poorest households, this assumed a greater equity and uniformity of consumption amongst the working and middle classes. The modifications made to the index also record the growth in consumption experienced during the first half of the twentieth century. In 1914 just 32 different items were included, by 1947 this had grown to 49 and in 1956, the index featured 91 types of items, which were broken down into 317 individual items for which prices were to be collected.¹⁰⁵

Such a complex index was only possible because of the development of a body of statistical expertise within the state. The need to amass information on the cost of living at the turn of the century had necessitated the recruitment of outside expertise. Motivated by the desire to improve the quality of government statistics, figures such as Bowley fuelled the debate about the COLI, through both public campaigns and in their capacity as official advisors on the various ad hoc committees that were appointed to review the issue. Statistical experts gained a more permanent footing within the government during the Second World War with the establishment of the Central Statistical Office, the Economic Section and Social Survey.¹⁰⁶ In the postwar period, these groups exerted sustained pressure for the revision of the COLI and were instrumental in the construction of the RPI. This ensured that it sat on a much sounder

¹⁰⁴ Proposals for a New Index, (P.P. 1955-6, XIII), p.iii.

¹⁰⁵ 'Retail Prices Statistics', *Ministry of Labour Gazette*, March 1920. pp.118-120, TNA, 'Report of the Construction of an Interim Index of Retail Prices', July 1947, Lab 17/463, Proposals for a New Index, (P.P. 1955-6, XIII).

¹⁰⁶ Moss, *Government Social Survey*.

methodological footing than the 1914 index and enabled its far greater complexity. Whilst the 1904 survey had haphazardly surveyed 2000 households, in 1953/4 a geographically stratified survey of 13,000 households were conducted; whilst in 1904 households completed a double page schedule, in 1953 a household of two adults filled in 110 pages. The establishment of a permanent and dedicated body of statistical expertise within government also enabled steps to be taken to ensure the weighting of the RPI would never again become so outdated. In 1957, the Family Expenditure Survey was instituted as a continuous enquiry and on the basis of its findings, from 1962, the weights used in the Retail Price Index have been updated annually

This means that the particular issues discussed in this article are largely confined to the first half of the twentieth century. Nevertheless, the ways in which the index is compiled can still ignite controversy.¹⁰⁷ The decision in 2010, for example, to link benefits and pensions to the CPI rather than RPI provoked a widespread debate in the media about the compilation of this measure and formal responses from the TUC and the Royal Statistical Society.¹⁰⁸ This debate highlights the continuing salience of the key themes raised in this article. Price indices wield tremendous economic power and modifications to the way they are compiled have massive financial implications. The decision to index benefits and pensions to the CPI was estimated to deliver annual savings of £5.8 billion by 2014/15.¹⁰⁹ Far from being a neutral statistical measure, the decisions taken about how price indices are compiled remain political in nature.

¹⁰⁷ On the debate in 1970s see Davidson, *Whitehall*, p.278.

¹⁰⁸ Hand to Scholar, 25 August 2010, <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence>, Exell, 'RIP RPI', 22 June 2010, <http://touchstoneblog.org.uk/2010/06/rip-rpi-budget-changes-to-benefit-uprating>.

¹⁰⁹ Cracknell, 'The CPI', p.iv.