

Stapleford, Thomas, *The Cost of Living in America. A Political History of Economic Statistics, 1880 – 2000*. Cambridge U.K. (University Press) 2009, pp. 424, hardback US\$ 90.00, paperback US\$ 29.99, paperback € 24,60 (Amazon), ISBN 978 0521 719 247.

The interesting and most valuable feature of this extensive and quite detailed history of the U.S. Bureau of Labor Statistics (BLS) is that it interweaves American political history with a great deal of recurrent discussion of fundamental issues in index theory and price statistics methodology. The presentation is chronological and gives a fairly complete account of how the BLS evolved from being a small office with no clear mandate to what it has now become. However, the book is also, if not first and foremost, a study of the political aspects of statistics, and that, more than anything, is what makes it interesting. The author investigates what a statistical office should do or avoid doing in order to be accepted as neutral, impartial and competent. The book also gives an account of a number of controversies concerning the conceptual basis of economic measurement. Two aspects of these theoretical issues are discussed at some length; Firstly, the reasons for, and consequences of, "indexation" (the "impersonal rule-governed" or "automatic" adjustment of wages, pensions, social benefits etc. according to a price index), and, secondly, the move from the "Constant-goods" index (COGI or fixed basket index) concept to the so called "Cost-of-living" (constant utility or COLI) index as the model for the BLS' Consumer Price Index (CPI). It was not until the 1960s that the COGI ideal of a pure price comparison (reflecting only changing prices) was replaced by the COLI concept, with the microeconomic theory serving as theoretical underpinning of a utility maximizing household.

In the early part of its history, the mandate of the BLS (founded in 1883) as well as the role of *national* statistics was far from clear. Before the First World War, the bureau had not yet found its constant and enduring *raison d'être* in the CPI and some other now well-established statistics (such as a wage index, unemployment statistics, etc.). Its role was described in vague terms as studying the "labor question", which evidently referred to some disadvantages and dissatisfactions in the working and living conditions of the working class. In these years, the BLS was conspicuously unable to draw much attention to its rather unsystematic *ad hoc* empirical studies, which might be termed "labor statistics", whatever that might mean. There was a lack not only of public interest and a clear federal mandate, but also of funds and political support. Stapleford's aim in this first part of the book (covering the period 1880 – 1930) is to show how the bureau, which grew out of the corresponding Massachusetts office, managed to find a well-accepted role as a federal statistical office. This period is described as "centralization and its discontents". During this period, the BLS could have become "a source of reform proposals, a government representative of union or worker interests, a regulatory ... agency or an investigative body" (p. 31, the latter is meant in the sense of some kind of sociological research institute). It chose none of these options but became a renowned provider of national macroeconomic statistics.

By the turn of the century the federal government still had no more than a limited scope of action and, therefore, only limited use for statistics. With the Great War, things changed in favor of more direct interventions in the economy. By degrees, this gave rise to more statistics. Interestingly, although there was considerable inflationary pressure in the pre-war years, and since prices and wages, as the "two sides of the vise", were in the general interest, a retail or consumer price index was not then the focus. Wartime not only meant more statistics, it also shaped the structure and objectives by the typically then prevailing preference for centralization, standardization, and most importantly "rationalization" – in other words, using statistics for regulations, by a bureaucratic system with minimal public debate. This explains the call for binding wages to a price index for example. Unsurprisingly, labor regulatory boards became the most active promoters of enlarged labor (and cost-of-living) statistics and what may be seen as precursor of indexation. There was also a debate on minimum wages at

that time. It is significant that the BLS remained neutral and confined itself to its fact-gathering role in this era of interventions and labor conflicts.

The second period, 1930 – 1960, is characterized by the New Deal. At that time and during the postwar era, the underconsumptionist argument became the dominant theory of industrial relations. According to this position, wages should be viewed as an element of the stabilizing role of mass purchasing power. Furthermore, ideas of countercyclical government spending emerged, which were later to occupy a central role in Keynesianism. From the labor unions' perspective, "the underconsumption thesis offered a seemingly perfect marriage between rising wages and business self-interest" (p. 135). The CPI (of the COGI type) gained importance as an instrument of wage adjustment to prevent the high-productivity–low-wage situation of underconsumption.

The title Stapleford gave this era was "rationalizing the democratic political order". By "rationalizing", he primarily means "indexation", which he defined as "an attempt to eliminate political responsibility for certain government operations by treating them as technical, administrative tasks" (p. 5). Other descriptions of this exercise are "automatic government" or reducing adjustments to a "simple matter of clerical routine". For Stapleford, indexation is, first and last, due to politicians shying away from redistributive, normative, fundamentally genuinely *political* decisions. "Escalation clauses" using the CPI and the impersonal "purely clerical" statistics in general are then seen and welcomed as "depoliticizing" quarrels about "fair" wages, pensions, social benefits, etc. Stapleford's focus is on demonstrating "the function, or rather malfunction of economic statistics" (p. 384) in the face of such expectations.

This brings us to some more general considerations and conclusions that Stapleford presents at the end of his book. In short, he believes that there are two interlinked aspects to be considered in the relation between "rationalized governance" and statistics: the solid foundation of methods on a well-accepted theory, and the constant striving of a statistical office for professional integrity and impartiality. This book demonstrates convincingly that the BLS was never misled or seduced into a political bias or into assuming non-statistical functions. Rather, throughout it maintained and cultivated its self-image of a "non-partisan" fact-gathering office and confined itself to honest and unbiased statistics. It did so even when politicians in wartime tried to offload much responsibility for dirigisme onto statistics and when it suffered union hostility for a time during the Second World War. Stapleford calls objectivity and nonpartisanship "epistemic virtues" of a statistical office. At times, this required "educating the public" about its methods. As to the methods of economic statistics, one should be aware of the fact that they "serve a political purpose without being politicized" (p. 386). One of the author's key convictions is that the "assumption that statistical calculations are straightforward, apolitical facts, cannot be sustained" (p. 385). He therefore provides a very detailed and comprehensive account of debates on methods, also mentioning arguments "for and against" that were advanced along with the economic and ideological situation in which they were expressed. This makes his book also extremely valuable for those readers who are not interested so much in the history of the BLS but rather in the background to the index theories which prevail at present.

In the second period (1930 – 1960), the most important disputes seem to have been those with union leaders about their influence in setting the objectives of the BLS, its scope and function and, in particular, the logical status of the CPI. In retrospect, it may seem rather odd that labor unions once thought that the average working-class housewife should be more competent to judge inflation than were government economists and statisticians. However, unions' attacks on the BLS (in the 1940s) were unsuccessful in the end, although they were unpleasant for the BLS, and the growing acceptance of cost-of-living adjustments (COLAs) as a common component of labor contracts necessitated a political truce. The BLS was well advised to

create two advisory committees, one for businesses and one for unions, which were therefore able to make peace more easily with the CPI.

The main feature of the third period (1960-2000) was the extension of the welfare state with its commitment to redistribution and social integration. This also entailed a greater role for indexation and, by extension, the CPI. The most important process in this period was, from a theoretical point of view, the irresistible displacement of the COGI by the COLI paradigm in inflation measurement and as a yardstick or reference for escalation clauses

It is interesting to note that the COLI idea was initially much more popular among European (especially British) economists, while it was slow to gain general acceptance in the USA. In Stapleford's view, the prime reason for this development was the dominance of neoclassical microeconomics (in favor of COLI) in academic research and teaching over of the hitherto prevailing typical American school, known as "institutional economics" (which adhered faithfully to COGI). The CPI patterned on the COLI model consistently shows lower inflation rates. Conspicuously there seem to be only situations where a COLI reasoning was brought into play to argue that the traditional inflation rate is biased upwards rather than unbiased or biased downwards. It therefore comes as no surprise that the unions did not welcome the move from COGI to COLI. They failed, however, to oppose it because they had no proper academic network and could not plead for an alternative (i.e. one which was well-founded in economic theory) in a widely recognized manner.

Another aspect of which I was not so acutely aware before reading Stapleford's book is the perspective of official statistics in typical academic disputes. Finding support in the "ruling" (economic) theory is "the bureau's major defense against allegations of political bias" (p. 357). Another reason for COLI gaining ascendancy over COGI since the 1960s was that some economist, during a period of growth-skepticism, fear of "stagflation" and the "Sputnik shock", found that the traditional methods would lead to real growth being understated. Even at the time, reasons given for this reassuring finding were those phenomena which later became prominent arguments for the COLI: incomplete adjustments for improved quality and inappropriate accounting for new (better) goods, or for the substitution behavior on the part of buyers, and more competition, convenience and variety offered to them on the supply side. In this way, the Stigler report (1961) in which COLI was not yet considered the undisputed target-CPI, was a precursor of the Boskin report (1976), by which time COLI already was entirely undisputed.

Stapleford makes no secret of his ultimately somewhat skeptical standpoint concerning the concept of COLI. He draws the reader's attention, in particular, to the all but trivial assumptions of a constant utility function, for example, and of consumers who "do not acquire new tastes, do not change their environment, and do not age, and that (they) are totally resistant to advertising, salesmanship, and emulation of their neighbors"(p. 317). He believes that subjective experiences of "satisfaction" that persons might feel are not comparable over time and space. Moreover, he questions COLI's suitability for various conflicting purposes (such as income adjustment and deflation etc.) which a CPI is supposed to serve, and he criticizes some obvious normative implications and paradoxes of the COLI concept. What is interesting and deserves mentioning is that, although the BLS is in favor of the COLI and, hence, its normative implications, it withstood all pressures to compile an index and basket to measure the minimum level of living owing to the obviously normative judgments involved in such an exercise. Stapleford mentioned some interesting paradoxes (or perversities) such as new and more health effective drugs amounts to having a higher real income which in turn may justify cutting wages or fewer social security benefits. "Indeed, there was a certain perversity to suggesting that becoming a more frugal and careful shopper should cause your income to fall (since you now achieved the same 'satisfaction' at less cost), or that the appearance of new and exciting goods should lead to a wage cut." (p. 356)

I admit that such views are very much to my liking, but that is not the sole reason why I am fully convinced by this book and would recommend it strongly. At times, it may appear rather lengthy and go into too much detail (for non-Americans or non-historians) but, overall, it is an extremely informative book with much index theory and politics. It is very fascinating and extremely useful for everybody who is interested in price indices, inflation measurement, social policy and the general political problems of official statistics or, as Stapleford's put it, in "the deep and complicated entanglement of rationalized governance, cost-of-living statistics, and economic reforms" (p. 11) One might also add "and in the constitution of official statistics in a democracy."

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