

30th anniversary of the Ottawa Group

**Panel discussion on the state of research and
practice of CPI methodology and the challenges
ahead**

Lead speaker: Erwin Diewert

Panel Members: Jan de Haan; Randi Johannessen

Chair person: David Fenwick

Brief background to Ottawa Group – the early years

- First meeting 31 October to 4 November 1994 in Ottawa.
- Before the publication in 1996 of the Boskin Commission on bias in the computation of the CPI by the US Bureau of Labor Statistics.
- But early Agendas heavily influenced by the sources of bias identified by Boskin and others.
 - Basket substitution bias; outlet substitution bias; quality change bias, new product bias.
 - The 1994 & 1995 meetings heavily engaged in the measurement of bias in the CPI.
 - 1994 Room document W Erwin Diewert – Axiomatic and Economic Approaches to elementary Price Indices.
 - References to earlier or contemporary work by e.g. Dalen (1992), Reinsdorf (1993), Moulton (1993), Triplett (1983), Sellwood (1994), Silver (1994), Balk (1990), Armknecht (1994), Schultz (1994).
 - Erwin “Exact and Superlative Index numbers” (1976).

Brief background to Ottawa Group – more recent research and more recent trends in retailing

- Exploitation of new data sources e.g. web-scraping and online & scanner data from retailers.
 - Efficient and more (potentially better quality) data but issue of data integration.
 - New index construction methods e.g. multilateral methods.
 - Implications for production processes – need to be robust & transparent.
 - New data has generated new opportunities for the measurement of owner-occupier housing costs e.g. hedonics to separate land from structure.
- New trends in consumer behaviour yet to be properly addressed.
 - The sharing economy where individuals and individual households are producers and consumers e.g. using idle assets to generate income facilitated by new technology (Airbnb, Uber).
 - Increasing share of household expenditure on service with relatively little attention given to quality changes.
- Has index construction got to the point where we can compute a true cost-of-living index covering goods and service? Is this our ultimate goal? What about Household Cost Indices?

The research challenges

- Research is an iterative process. The path ahead depends not just on research results but on access to new data sources and on external factors.
 - Changes in retailing and shopping habits and changes in “user need” priorities.
 - Can change fast in an unpredictable way e.g. introduction in UK of loyalty cards by major supermarket chains which gives the holder access to special offers/lower prices.
- The challenges for the index researcher and compiler are fivefold.
 - Agreeing objectives, including user needs, and prioritising.
 - Identifying the issue.
 - Finding the right methods and tools.
 - Measuring and analysing data.
 - Updating and planning for unexpected changes in retailing and user needs.

Final thought from Albert Einstein –

*“Life is like a bicycle. To keep your balance, you must keep moving.
The important thing is not to stop questioning”*