

## CPI reality check

Peter Martin's article ("Financially stressed? Don't blame high prices", *CT*, November 12) missed the same point as the statisticians: if people have to modify their behaviour because of the prices of the things they used to enjoy, then they have suffered a reduction in their standards of living.

Thus if I have to forgo a dinner of crayfish tails washed down by a crisp French Sancerre, and instead make do with flathead tails and a teaspoon of cleanskin white, the consumer price index will faithfully attempt to record my new purchasing patterns.

Likewise, if I have to turn down my heating in winter or forgo my airconditioning in summer because of electricity prices, that is a reduction in my standard of living.

The CPI, however, is now going to measure just the cost of what I spend on electricity, as Mr Martin notes.

If my children no longer aspire to own their homes and must rent, they too might reasonably wonder whether the weighting of housing costs in the CPI bears any relationship to their reality. They have experienced a reduction in what had been normal standards of living for Australians.

Then there's the relevance of "quality adjustments" in the CPI, details of which the ABS is not keen to share but was addressed to the satisfaction of US Republicans by the Boskin Commission in 1995. Its report's real aim was to "tame", i.e. reduce, wage claims by reducing what statisticians call "inflation".

Perhaps Mr Martin should reread the first paragraph of this letter, contemplate the rise of populism and hatred of politicians in this country, then seek the responses of those who seem to be just making things worse for their political masters.

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P 14