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Commemoration Peter von der Lippe

Mixed-form indices: a study of their properties

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Apart from his many teaching activities, as a result of which we got his 2007 book “Index Theory and Price Statistics”, Peter von der Lippe will be remembered for his life-long struggle against chained indices, as summarized in his 2001 book (described by himself as “a sort of pamphlet”) “Chain Indices; A Study in Price Index Theory”. As is well known, the “battle between chainers and non-chainers” has by and large be finished in favour of the party of “chainers”. Their two paradigms have been extensively compared in my 2010 (originally 2004) review article (see also Section 3.9 of my 2008 book), to which not much could be added in terms of novel insights.

A hidden presumption in much of this discussion has been that data are annual (or, more abstractly formulated, the time periods considered are of equal length and price and quantity data of the aggregate studied are available for all the periods). However, most officially compiled indices, such as CPIs and PPIs, are monthly, and appear to exhibit a functional form that is a mix of direct and chained elements. A good example is the structure prescribed for the HICP of the European Union member states.

In memory of the lasting contributions of Peter von der Lippe, in the present paper I will study the main properties of such mixed-form indices.