

**Is there anything real about real wages?**  
**A history of the official British cost of living index, 1914-1962**

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**Abstract**

This article explores the history of the cost of living index. I trace its evolution from a device designed to furnish an adequate evidential base for the tariff reform debate, through to the mid-twentieth century, when it had become one of the most important measures in the British economy, influencing the wages of millions of workers. A consideration of this history problematises the use of the index as a basis for calculating real wages over this period. I highlight two ways in which it was manipulated by the state. Firstly, despite sustained criticism, the weights of the index were not revised from its introduction in 1914 until 1947. By analysing the context in which the decisions were taken to modify the index, this article suggests that revisions were made primarily when it was beneficial to national finances. Secondly, the wartime policy of stabilisation used vast subsidies to artificially hold the index steady, whilst prices of items outside the index were allowed to rise. By the mid-twentieth century, therefore, the relationship between the official cost of living and the actual cost of living was, at best, tenuous.