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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 December 1986

Dear Nick

Many thanks for your letter of today's date. I am grateful to you and your colleagues for looking into the point we discussed on the telephone last week. It seems clear from what you say that the lack of regional price indices means that no firm conclusions about alleged gap in standard of living between North and South, and its variation over time, can be reached, by anyone.

I think we should let the matter rest there for now. There seems in fact to have been a crossed wire between us on Friday; I certainly did not intend to ask you to set in hand work on producing standard of living indices for the regions. My concern was simply to know whether we were in a position to draw any conclusions about relative standards of living in different regions on the basis of the figures published in the FES. That, as we agreed, was what lay behind the claims about a widening North/South gap.

Y
L e r

Mark Addison

(Mark Addison)

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8 December 1986

Mark Addison Esq
Private Secretary to
the Prime Minister
10 Downing Street
London
SW1A 2AA

Dear Mark

REGIONAL STANDARD OF LIVING INDICES

When we spoke on Friday, you asked the Department to set in hand work on producing "standard of living indices" for the regions, to enable the Government to deal with claims that the North is getting poorer in relation to the South East.

Our statisticians have looked at this problem. They report that this sort of index cannot be compiled from current data, because there is no information on regional variations in the cost of living. Official regional price indices have not been compiled by successive governments because they were thought likely to have an inflationary impact on wage bargaining. The RPI Advisory Committee decided in 1971 that regional indices were feasible but not at that stage advisable.

Production of regional cost (and standard) of living information would require a major reallocation of statistical resources within the Department and it would take some time to generate the necessary data. Perhaps you could let me know whether you wish to take this further or if you require any further information.

Yours sincerely
Nick Baxter

NICK BAXTER
Private Secretary

PS. I attach a copy of our Statisticians' note.

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Reference.....

MR BAXTER

cc Mr Dworkin
Mr Reid
Mr Turner
Mr Sellwood

REGIONAL STANDARD OF LIVING INDICES

Your minute of 8 December refers.

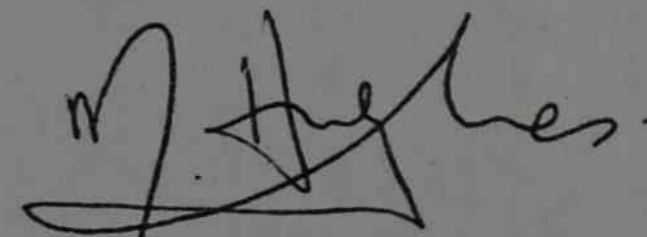
2. Notwithstanding the conceptual problems in formulating a 'standard of living index', for which there is no generally accepted definition, the remit from No 10 is not possible at present given the non-existence of regional 'cost of living' indices. These could only be produced with significant staff resources and computing costs and would need a major reassessment of work priorities within the Statistical Division. It would also take some time to generate the necessary data.

3. Official regional price indices have not been compiled by successive governments because they were thought likely to have an inflationary effect on wage-bargaining. The Retail Prices Index Advisory Committee considered the compilation of regional price indices in 1971. They concluded that it was possible to construct such indices but were not agreed on the advisability of doing so. They highlighted the "very great difficulties in producing inter-regional comparisons of housing costs". We are not aware of any other nation that produces regional prices indices.

4. Reward Regional Surveys, a private research company established in August 1972, produce comparative costs of living for different parts of the country. Their surveys provide some useful information but are relatively small scale and are not comprehensive. Furthermore, their comparisons do not conform to the methods considered by the Advisory Committee. Don Sellwood in Stats D takes the lead in this area and you should contact him if you have further enquiries on this subject.

Stats A

8 December 1986


M J HUGHES

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