

Title: Cost of Living Indexes for Germany

Abstract:

The aim of this paper is to quantify the substitution bias in the German Laspeyres type price index for food commodities. Cross section micro data from the German Household Expenditure Survey has been used in order to estimate an Almost Ideal Demand System to derive expenditure functions. The cost-of-living indexes calculated by means of these expenditure functions for the years 1989 to 2006 are exceeding for almost every year the corresponding Laspeyres type price indexes. Using the price- and expenditure elasticities, theoretical explanations for these results are given.

Claus Christian Breuer, MSc

Research Associate

Department of Economics, University of Duisburg-Essen, Germany