

Questioning Some General Wisdom in Axiomatic Index Theory

by

Ludwig von Auer*

University of Trier, Germany

wp35v04.tex

(May 2008)

Abstract: In axiomatic index theory a strict and artificial dividing line exists between price aggregation in the context of heterogeneous goods and price aggregation in the context of a homogeneous good. However, cases with weakly heterogeneous goods have much more in common with the case of full homogeneity than with the case of strong heterogeneity. Removing the artificial dividing line, one obtains important new insights that confirm some and question other aspects of what has been regarded as the general wisdom of axiomatic index theory. For example, this new approach casts serious doubts on the validity of the identity test.

Keywords: Test, Axiom, Inflation, Index Theory, Measurement

JEL Classification: C43, E31, E52

*Fachbereich IV – Public Finance, Universitätsring 15, D-54286 Trier, Germany; tel.: +49 (651) 201 2716; fax: +49 (651) 201 3968 ; e-mail: vonauer@uni-trier.de.