We do not calculate the CPI correctly: Quality Bias

In the year when the basket was built, 1computer (4KB of memory) was commonly used

CPI does not distinguish differences in quality

\$700

With time, quality improves: For the same \$700 consumers now get 8GB of memory: a massive drop in price!

```
Cost of the basket
```

1 x 700

\$700





```
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1 x 700

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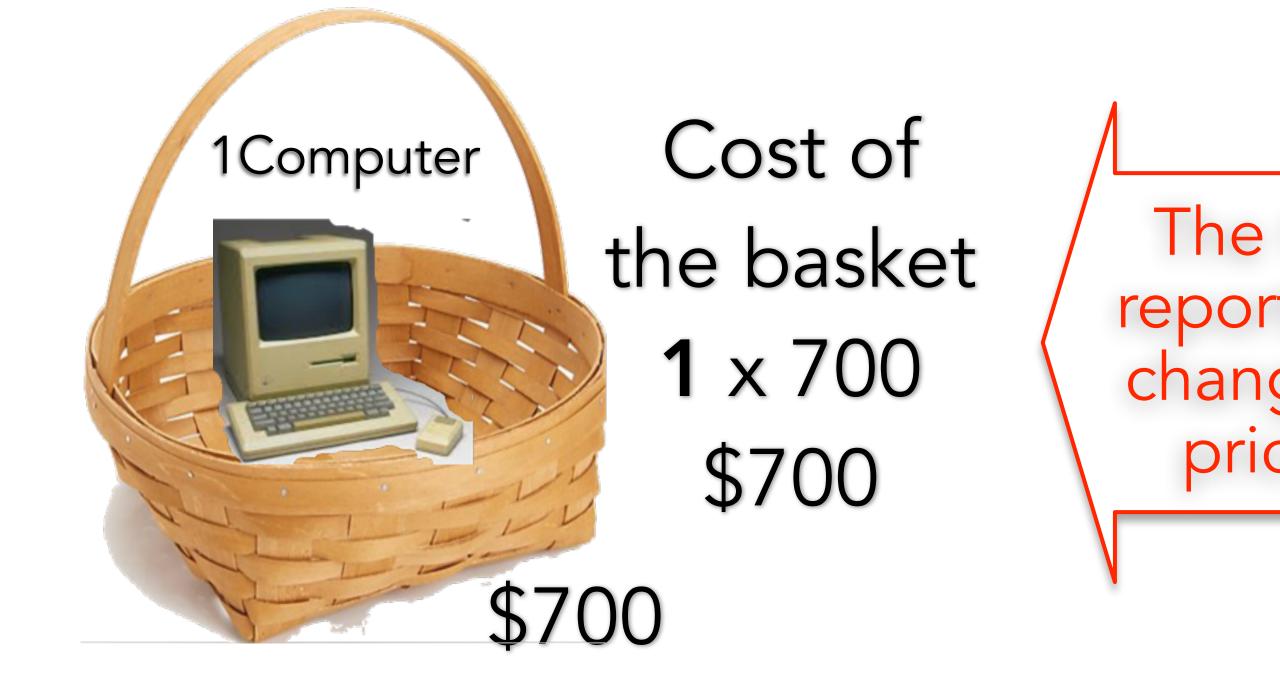


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Labor Contract: "Employer will increase worker' salaries by CPI Inflation"