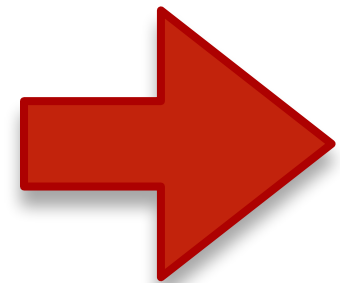


Because items and quantities in the basket are fixed, the CPI does not account for substitutions consumers do in response to higher prices

Cause of this mistake: CPI uses **old** quantities with **new price**

We do not calculate the CPI correctly: Substitution Bias

Solution: Instead of updating the basket every 10 years (as it's done now) update the quantities in the basket more often



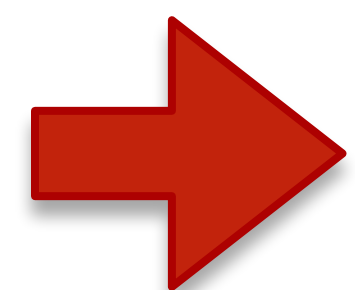
Solution: Use "Chained CPI which
uses a basket that changes from
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Solution: Use "**Chained** CPI which uses a basket that changes from month to month

We **do not** use **Chained** CPI because the switch from Traditional CPI to Chained CPI must be **voted** on...