# 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

1Computer

1 Computer

# Cost of the basket

**1** x <span style="color:red">700</span>
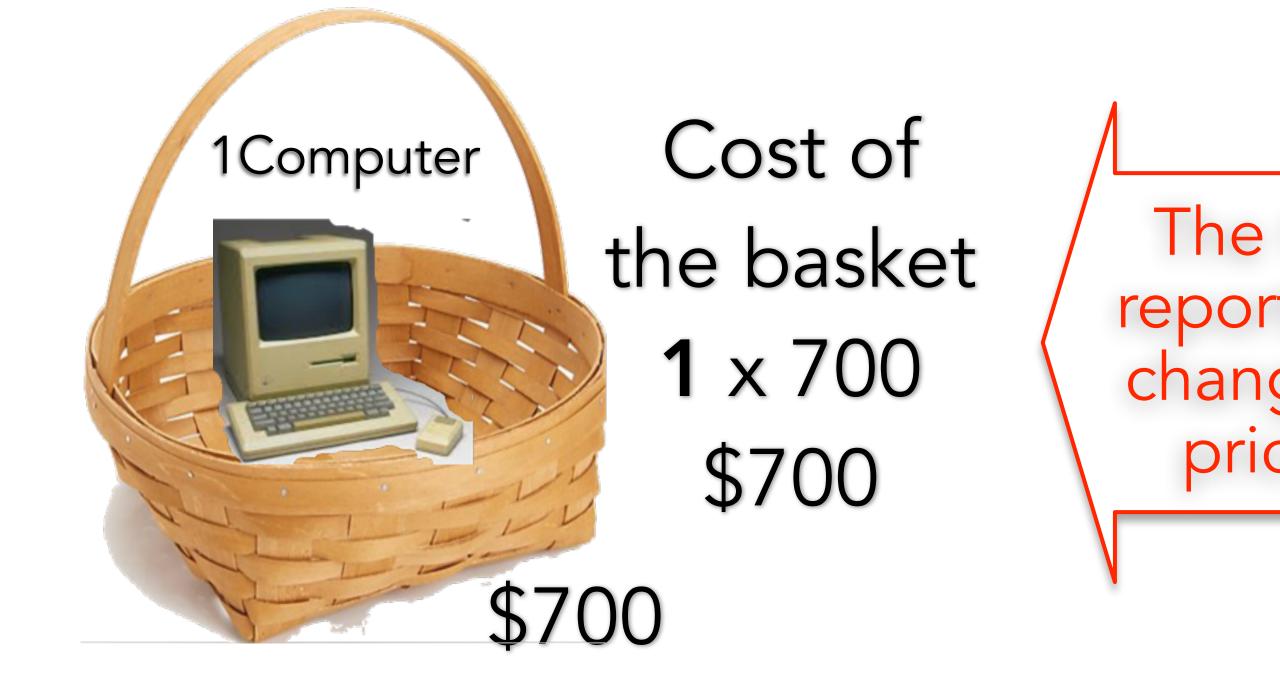
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To avoid a drop in real salary, the nominal salary must increase by inflation