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- The CPI's basket does not change while the PCE's basket of goods and services changes regularly (eliminate CPI's substitution bias)

- PCE index **also** measures expenditures on goods and services **made on behalf of consumers**, like spending on medical insurance by employers or government programs. The **CPI** includes **only** expenditures made by consumers **directly**.

The Personal Consumption
Expenditures Price Index

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Figure 1. The CPI and the PCE Price Index

