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

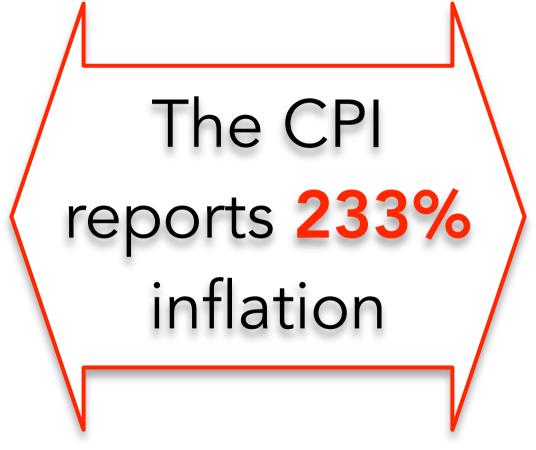


To avoid a drop in real salary, the nominal salary must increase by inflation



Salaries must increase by 233% to "compensate workers for the increase in prices"

Workers substituted high priced goods and did not suffer a 233% increase in prices



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

Salaries must increase by 233% to "compensate workers for the increase in prices"

The CPI reports 233% inflation

Workers substituted high priced goods and did not suffer a 233% increase in

prices



Employer



We do not calculate the CPI correctly: Substitution Bias