

TOPIC: PROBLEMS WITH CPI

◆ Although using a fixed basket allows for comparison across years, this may also introduce _____.

Substitution Bias

CPI is **understated** as consumers
_____ cheaper products
instead of expensive ones.

New Goods Bias

CPI is **overstated** as new goods are
added to the _____.

Quality Bias

CPI is **understated** as
goods become cheaper but
_____ in quality.

CPI is **overstated** as goods become
more expensive due to an
_____ in quality.