

## **Who is delusional?**

Ross Gittins' article *Self-delusion and the "weighty" cost of living* (CT 3 Feb, p29) glosses over "quality adjustments" made by the ABS when compiling the CPI.

They're mentioned at p7 of the ABS's *A Guide to the Consumer Price Index: 17th Series* but there is no assessment of their practical impact, which is almost invariably to reduce the retail prices that were measured by the ABS when preparing the CPI. The result is that *the CPI is lower than the change in the retail price of the basket of goods that it measures, and that difference becomes very significant when compounded.*

That's why people whose income is rising at CPI (or less) – most wage earners, Age pensioners, Centrelink beneficiaries and retirees - feel increasingly squeezed. That's why they then change their purchasing patterns and buy cheaper, or less, stuff. Being assiduous, the ABS staff then change the composition of their measured baskets of goods to reflect the new purchasing patterns, and then solemnly record changes in *those* in the CPI. It becomes a race to the bottom, as ever smaller income rises generate ever more reductions in purchases.

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