

[Related BLS programs](#) | [Related articles](#)**ABSTRACT**[April 1998, Vol. 121, No. 4](#)

Using survey data to assess bias in the Consumer Price Index

Alan B. Krueger

Bendheim Professor of Economics and Public Affairs, Department of Economics and Woodrow Wilson School, Princeton University, Princeton, New Jersey

Aaron Siskind

Graduate Student, Department of Economics, Princeton University, Princeton, New Jersey

In a previous paper, William Nordhaus provided an estimate of the bias in the Consumer Price Index by comparing the net proportion of families that report an improvement in their financial situation with changes in real median income. In this article, Nordhaus' analysis is extended by using the Panel Study of Income Dynamics (PSID) data set to calculate the actual fraction of families that experienced measured increases and decreases in real income each year from 1968 to 1991. Estimates based on that fraction reveal that using the CPI to deflate family income may in fact provide an unbiased estimate of the fraction of families that report a net improvement in their financial situation.

▶ [Read excerpt](#) ▶ [Download full text in PDF](#) (84K)

Related BLS programs

[Consumer Price Index](#)

Related *Monthly Labor Review* articles

The 1998 CPI Revision. December 1996.

[Overview of the 1998 revision of the Consumer Price Index.](#)

[Redesign of the CPI geographic sample, The.](#)

[Changing the item structure of the Consumer Price Index.](#)

[Publication strategy for the 1998 revised Consumer Price Index.](#)

[Revision of the CPI housing sample and estimators.](#)

[Revision of the CPI hospital services component.](#)

[New methodology for selecting outlet samples.](#)

Anatomy of price change. A special issue. December 1993.

[The Consumer Price Index: underlying concepts and caveats.](#)

[Basic components of the CPI: estimation of price changes.](#)

[The commodity substitution effect in CPI data, 1982-91.](#)

[Quality adjustment of price indexes.](#)

Within *Monthly Labor Review Online*:

[Welcome](#) | [Current Issue](#) | [Index](#) | [Subscribe](#) | [Archives](#)

Exit *Monthly Labor Review Online*:

[BLS Home](#) | [Publications & Research Papers](#)