A_Student_s_Consumer_price_Index.docx

by

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A Student's Consumer Price Index

Consumer Price Index (CPI) evaluates the proportional change in the total price charged for a basket of goods and services purchased by an average household. However, a learner does not fall into this category. As a result, the costs of products and services in a student's basket have fluctuated more than those in a typical household's basket. Between 2006 and 2016, the student CPI increased by 34%, exceeding the usual CPI, with rent, textbooks, and fees being the primary items that increased in value quicker than usual (Bade & Parkin, 2007). In my view, the reason why the three items (rent, fees, and books) are the main items whose prices increased beyond the average level has a lot to do with bias, especially quality bias and inflation. Whenever there is inflation, the prices of items increase. Also, with time, the information in the textbooks gets outdated, and the students are forced to seek modern books, and the demand causes their prices to increase. I feel that rent will continue increasing because there is an increase in university enrollment, and many people want accommodation near the schools, which is convenient. The limitation in this context is that the CPI ignores the available substitutes. There are online books, and students can live with friends or relatives.

References

Bade, R., & Parkin, M. (2007). *Foundations of macroeconomics*. Pearson Addison Wesley.

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