Calculating Inflation

The _____ (CPI) is used to calculate how prices have changed over the years due to inflation.

Formula:

What would a product cost in 1994 if it costs \$10.00 today?

(1994 CPI divided by 2014 CPI) x 2014 price = 1994 price. $\frac{148.2}{236.7}$ x \$10.00 = \$6.26

Or, you can reverse the process if you know the price of the historical good. For instance, if a 20 oz Coca-Cola in 1993 cost .85, what would it cost in today's dollars for the same product?

(2014 CPI divided by 1993 CPI) x 1993 price = today's price $\frac{236.7}{144.5}$ x .85 = \$ 1.39

Use the (CPI) chart on the back to answer the following questions:

Show your work:

1. In 1994 Disneyland tickets cost \$36. Based on the 1994 ticket price, how much should a ticket cost in 2014?

2. Is Disneyland staying on track with inflation, or is the head rat shoving his furry little paw down our throats and taking every red cent? Explain.

3. You tell your dad you are furious that movies now (2014) cost \$10.00. Your dad says you are lucky, because when he was younger, movies were really expensive. What would be the cost a movie in 1998?

Consumer Price Index (CPI)

Year	Consumer Price Index
1993	144.5
1994	148.2
1995	152.4
1996	156.9
1997	160.5
1998	163.0
1999	166.6
2000	172.2
2001	177.0
2002	179.9
2003	184.0
2004	188.9
2005	195.3
2006	202.5
2007	207.2
2008	211.0
2009	211.1
2010	214.2
2011	224.9
2012	229.6
2013	233.0
2014	236.7

3. Tyler Durden got a job in 1999 making \$35,000 dollars. He received several salary increases and was bragging that he was making bank by 2006. In 2006 his salary was \$39,000.

a. Convert Tyler's 1999 salary to inflation-adjusted dollars?

- b. Did he really receive "good" raises?
- 4. Use an economic description of the effect of inflation on Tyler's income.