## Calculating Inflation

The $\qquad$ (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.
$148.2 \times \$ 10.00=\$ 6.26$
236.7

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
236.7 x $.85=\$ 1.39$
144.5

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.
