How Much Does It Cost Now? Name _____

I am not worried about the deficit. It is big enough to take care of itself.

-Ronald Regan circa 1981

In 1981, Ronald Regan was president of the United States. The cost of a new home was $83,000. After adjusting for inflation, how much would we expect that home to cost today?[1]

To find the cost of a 1981 home today, one must know the Consumer Price Index in the 1981 and today. Assume that the current year is 2009. The formula to use is:

Price in 1981 times (CPI_{2009}/CPI_{1981}) = Current Price

$83,000 * (213/92) = Current Price
$83,000 * (2.31) = Current Price
$192,163 = Current Price

Directions: Using the FRED data base, data series, CPIAUCNS, (after adjusting for inflation) compute how much goods in 1981 would cost in 2009.

1. An average household, earned $19,074.00 in December, 1981. How much would that income be in October, 2008?

2. In February, 1985, the cost of a gallon of milk was $2.26. In November of 2007, how much would that gallon of milk cost?

3. In January, 1950, the minimum wage was $.75. What should the minimum wage be in
July, 2009?

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[1] http://www.1980sflashback.com:80/1981/economy.asp for 1981 prices.