POB 1.02 Inflation Rate Activities WS

Part 1 - Directions: Use the following formula to calculate the CPI inflation rate for the following items:

**Step 1: Calculate the inflation rate Inflation Rate = Most recent price – Oldest price \* 100**

 **Oldest Price**

**Step 2: Calculate $ increase Price Increase = Inflation Rate \* Oldest Price**

1. In 2006, the average price of a new house in the United States was $301,000. In 2007, the average price of a new home in the United States was $314,600.
* What is the CPI inflation rate of a new house from 2006 to 2007?
* What is the amount of the price increase from 2006 to 2007?
1. The average price of a movie ticket in 1946 was $0.55. In 2006, the average price of a movie ticket was $6.04.
* What was the CPI inflation rate of movie tickets from 1946 to 2006?
* What is the amount of the price increase from 1946 to 2006?
1. A gallon of milk was on average $1.00 in 1957. In 2007, the average gallon of milk costs $3.00.
* What is the CPI inflation rate of a gallon of milk between 1957 and 2007?
* What is the amount of the price increase from 1957 to 2007?

Part 2

Visit <http://www.1990sflashback.com> or <http://www.thepeoplehistory.com/yearsanddecades.html> . Complete the chart using the year of your birth and the previous decades of that same year. For example, if you were born in 1996, you would also do 1986, 1976 and 1966. Use the category Economy/Prices to record the price of each item in each of the years. When you are finished with the chart, answer the follow up questions below the chart.

|  |  |
| --- | --- |
|  | YEAR |
| ITEM |  |  |  |  |
| Cost of a New Home |  |  |  |  |
| Cost of a Postage Stamp |  |  |  |  |
| Cost of a Gallon of Regular Gas |  |  |  |  |
| Cost of a dozen of eggs |  |  |  |  |
| Cost of a gallon of milk |  |  |  |  |

Follow Up Questions: (Please use complete sentences.)

1. Which item’s price has changed the most?
2. What factors do you think may have influenced this change?
3. What did you find most interesting or surprising from this activity? Explain your answer.