

How Much Does It Cost Now?

In 1981, Ronald Reagan 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?

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 $(CPI_{2009}/CPI_{1981}) = \text{Current Price}$

$\$83,000 * (214.5/90.9) = \text{Current Price}$

$\$83,000 * (2.36) = \text{Current Price}$

$\$195,880 = \text{Current Price}$

Directions: Use the Consumer Price Index data on your table to find the Average annual CPI based on the year.

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?